

Message Text

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PAGE 01 ISLAMA 10690 190743Z

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01

CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01 H-02 INR-07

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SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 AS-01 /105 W
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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 2899

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

UNCLAS ISLAMABAD 10690

E.O. 11652: N/A

TAGS: ENRG, EAIR, PK

SUBJ: PETROLEUM: GOP ANNOUNCES NEW PRODUCTION

1. IN THE NATIONAL ASSEMBLY ON NOV. 17, FUELS
MINISTER KHATTACK INTERRUPTED THE HOUSE TO ANNOUNCE
THE "GOOD NEWS" THAT A 2,000 BPD WELL HAD BEEN FOUND
IN THE MEYAL FIELD. THE MINISTER ANNOUNCED THAT THIS
PRODUCTION WOULD RESULT IN A FOREIGN EXCHANGE SAVINGS
OF DOLS12 MILLION AND THAT THE NEW WELL WILL ALSO YIELD
SIX-EIGHT MILLION CU. FT. OF GAS.

2. IF THIS WELL WERE TO PRODUCE AT THE RATE ANNOUNCED
BY THE MINISTER IT WOULD INCREASE PAKISTAN'S NATIONAL
PRODUCTION BY 29 PERCENT FROM THE PRESENT LEVEL OF 6,900
BPD TO 8,900 BPD. THIS WOULD INCREASE THE RATIO OF
DOMESTIC PRODUCTION TO TOTAL NATIONAL REQUIREMENTS
FROM THE PRESENT TEN PERCENT TO ABOUT TWELVE PERCENT.

3. THE MEYAL FIELD IS OWNED AND OPERATED BY PAKISTAN
OILFIELDS LIMITED, A JOINT VENTURE INVOLVING BURMA SHELL,
ATTOCK OIL AND THE GOP. IT WAS DISCOVERED IN 1968

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PAGE 02 ISLAMA 10690 190743Z

ADJACENT TO PAKISTAN'S ORIGINAL FIELD (ATTOCK) AND IS

LOCATED ABOUT 65 MILES SOUTHWEST OF ISLAMABAD. THE PRESENT STRIKE IS THE FOURTH DEVELOPMENT WELL IN THE MEYAL FIELD. TWO OTHERS ARE PRESENTLY PRODUCING A TOTAL OF 2,100 BPD.

4. SUBSEQUENT TO THE MINISTER'S ANNOUNCEMENT THE EMBASSY LEARNED FROM MINISTRY SOURCES THAT PRODUCTION AT THE ANNOUNCED 2,000 BPD LEVEL WOULD BE INCONSISTENT WITH GOOD OIL FIELD PRACTICES. PRODUCTION AT 2,000 BPD WOULD REQUIRE UTILIZING GAS PRESSURE OF 4,000 CU. FT. PER BARREL. THIS IS FAR ABOVE INDUSTRY STANDARDS AS IT WOULD RAPIDLY DEplete THE PRESSURE REQUIRED TO LIFT THE OIL. WITHIN ABOUT THREE AND ONE-HALF YEARS NO FURTHER OIL COULD BE REMOVED FROM THE FIELD EXCEPT THROUGH UNECONOMIC PUMPING. MINISTRY EXPERTS ARE RECOMMENDING PRODUCTION FROM THIS WELL AT A RATE OF NO MORE THAN 500 BPD.

5. COMMENT: BY WORLD STANDARDS THIS STRIKE IS MODEST BUT TO PAKISTAN IT MEANS A SIGNIFICANT INCREASE IN PRODUCTION EVEN AT THE LOWER RATE RECOMMENDED BY EXPERTS. THE FIND ALSO REPRESENTS A PSYCHOLOGICAL SHOT IN THE ARM FOR PAKISTAN'S FLAGGING PETROLEUM HOPES THOUGH IT COMES FROM A KNOWN FIELD. POLITICAL LEADERS ARE PRESSING PETROLEUM PRODUCERS IN PAKISTAN TO INCREASE PRODUCTION AT EXISTING WELLS EVEN IF THIS CAN ONLY BE DONE AT HIGH GAS/OIL RATIOS. THE RESULT MAY BE HIGHER PRODUCTION TODAY BUT AT THE RISK OF UNECONOMIC EARLY DEPLETION OF ENTIRE OIL FIELDS, INCLUDING LEAVING SIGNIFICANT AMOUNTS OF PETROLEUM UNDERGROUND.
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